

**For:** State and County Offices

**Final Counter-Cyclical Payment Calculations for Rice, Peanuts, and Upland Cotton**

**Approved by:** Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

The Farm Security and Rural Investment Act of 2002 (the Act) provides for counter-cyclical payments for covered commodities and peanuts beginning with crop year 2002 when the effective price for a commodity is below the target price for a commodity. The effective prices for rice, peanuts, and upland cotton for crop year 2002 were below the target prices for those commodities. Therefore, crop year 2002 counter-cyclical payments will be made for rice, peanuts, and upland cotton.

A new program parameter file that includes the final crop year 2002 counter-cyclical payment rates for rice, peanuts, and upland cotton will be downloaded to County Offices on September 18, 2003, according to Information Bulletin No. 2807.

**B Purpose**

This notice provides:

- the final crop year 2002 counter-cyclical payment rates for rice, peanuts, and upland cotton
- a detailed explanation of how counter-cyclical payments are determined.

<b>Disposal Date</b>	<b>Distribution</b>
November 1, 2003	State Offices; State Offices relay to County Offices

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**1 Overview (Continued)**

**C Final Crop Year 2002 Rates for Rice, Peanuts, and Upland Cotton**

The following table indicates the final crop year 2002 counter-cyclical payment rates for rice, peanuts, and upland cotton.

<b>Crop</b>	<b>Crop Year 2002 CC Rate</b>
Rice	\$1.65 per cwt
Peanuts	\$95 per ton 1/
Upland Cotton	\$0.1373 per lb

1/ Equivalent to \$4.75 per pound.

**2 Calculating Final Crop Year 2002 Counter-Cyclical Payments for Rice, Peanuts, and Upland Cotton**

**A Calculating Payment Rates**

The counter-cyclical payment rate equals the target price minus the effective price. The effective price equals the direct payment rate plus the higher of the national average loan rate or the national average farm price. The following table illustrates the calculations.

<b>Item</b>	<b>Rice</b>	<b>Peanuts</b>	<b>Upland Cotton</b>
	<b>\$ per cwt</b>	<b>\$ per ton</b>	<b>\$ per lb</b>
<b>Target price</b>	<b>10.50</b>	<b>495</b>	<b>.7240</b>
National average loan rate	6.50	355	.5200
National average farm price	4.22	364	.4295
Higher of loan rate or farm price	6.50	364	.5200
Direct payment rate	2.35	36	.0667
<b>Effective price</b>	<b>8.85</b>	<b>400</b>	<b>.5867</b>
<b>Final Counter-Cyclical Payment Rate (target price minus effective price)</b>	<b>1.65</b>	<b>95 1/</b>	<b>.1373</b>

1/ Equivalent to \$4.75 per pound.

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**2 Calculating Final Crop Year 2002 Counter-Cyclical Payments for Rice, Peanuts, and Upland Cotton (Continued)**

**B Advance Crop Year 2002 Counter-Cyclical Payments for Rice, Peanuts, and Upland Cotton**

The Act provides for advance counter-cyclical payments in October 2002 and February 2003, and a final payment after the close of the marketing year. Any advance payments a producer received will be subtracted from the final payment.

**C National Average Farm Prices**

The national average farm prices are calculated from monthly prices weighted by marketings for the August through July marketing year according to the following table.

<b>2002 Crops of Rice, Peanuts, and Upland Cotton Monthly and Annual Prices and Marketings</b>						
<b>Month</b>	<b>Rice</b>		<b>Peanuts</b>		<b>Upland Cotton</b>	
	<b>\$ per cwt</b>	<b>Marketings 1000 cwt</b>	<b>\$ per ton</b>	<b>Marketings Percent</b>	<b>\$ per lb</b>	<b>Marketings 1000 bales</b>
August 2002	3.71	11,478		0	33.00	354
September 2002	3.94	12,787	358	14.5	35.20	412
October 2002	3.69	14,027	358	46.7	39.00	749
November 2002	3.70	11,876	360	18.1	41.90	1,417
December 2002	4.13	14,242	350	7.9	42.10	2,380
January 2003	4.29	20,748	382	2.8	44.00	1,980
February 2003	4.03	14,500	392	2.4	45.20	1,374
March 2003	4.14	16,069	452	3.6	47.30	795
April 2003	4.33	16,445	368	2.0	45.00	592
May 2003	4.58	11,417	392	1.1	45.60	552
June 2003	5.04	10,553	354	0.2	45.30	424
July 2003	5.09	13,294	1/	0.7	46.10	273
Annual	4.22	167,436	364	100	42.95	11,302

1/ Price not published.

**Source:** Agricultural Prices: Released August 29, 2003, by the National Agricultural Statistics Service, USDA (updated September 9, 2003).

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### **3 Action**

#### **A State Office Action**

State Office shall ensure the County Offices are informed of this notice and follow directions outlined in Information Bulletin No. 2807.

#### **B County Office Action**

County Offices shall:

- follow directions outlined in Information Bulletin No. 2807 to ensure that the new program parameter file is loaded to the County Office system
- begin issuing final crop year 2002 rice, peanut, and upland cotton counter-cyclical payments immediately upon loading the program parameter file.